

All Roads to Myanmar

By Zha Daojiong

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One after another, Western dignitaries are traveling to Myanmar. A standard interpretation of the change in attitude is that Myanmar is finally demonstrating the courage and means to break away from China. But was Myanmar in the Chinese “geopolitical grip” in the first place?

When international observers look for manifestations of a Chinese grand scheme relating to Myanmar, they have plenty of examples. For example, there is the notion that Myanmar represents a “Land Bridge” (Qiao Tou Bao) for China to gain strategic access to the Indian Ocean. That imagery immediately brings India, which is supposed to be locked in a geo-strategic rivalry with China, into the picture. A Chinese reach into the Indian Ocean carries added regional and even global implications. Neatly phrased it may be, observers outside China often miss two elements of this eye-catching vocabulary. The first is that Chinese promoters of this notion are usually based in institutions in Yunnan province. For them, competition in claiming to have found the golden grail of thinking through the national and even global significance of a local project is the rule of the game. The second is that in Chinese, the use of the word “strategy” is often too loose to stand commonsense scrutiny.

The natural gas/oil pipeline from the shores of western Myanmar to Yunnan was promoted as a project of “strategic significance” for China. It is supposed to help bypass the Straits of Malacca, a choke point for China. Alas, Myanmar’s first choice of the final destination for its offshore gas fields was India. Only after India was unable to implement a pipeline agreement after three years, and the international consortium of gas field developers (that did not include Chinese) was running out of patience, did Myanmar turn to China as an outlet for sales. Besides, isn’t a pipeline, fixed on the ground, a far less expensive target of deliberate sabotage than an oil/gas tanker in the ocean? The oil to fill the pipeline will have to come from the Middle East and/or Africa. There is enough space for a potential adversary to deter movement of that oil before it gets close to the shores of Myanmar. What basis, if at all, is there to assume that Myanmar would accept collateral damage should there be a truly strategic (read: military) showdown between China and an adversary, whoever that might be?

Myanmar’s strategic importance to China is not a function of how that country matters in China’s relationship with a third country. That importance reflects a permanent and ultimately local concern: the border regions the two countries share. Clashes between armed forces of the central

government of Myanmar and guerrillas dotting the border with China repeatedly led to inflows of refugees and the loss of innocent Chinese lives caught in the crossfire. The government of Myanmar certainly has another way to demonstrate its claim to be an amicable neighbor of China.

Regardless, Myanmar is a neighbor. Decision makers in Beijing have few choices other than hoping that by promoting development across the border, fuller bellies would find less of an incentive to take up guns. Sticking to this approach does not help China win any international sympathy. Realistically, what alternatives are there to pursue?

For most of its post-WWII history, Myanmar had stronger economic ties with its former colonizer’s markets -- India, Thailand, and other Southeast Asian countries -- than to China. Border trade routes between the two countries were not officially open until 1986. The formidable terrains of transport, dramatically more backward levels of local development, on top of the complexities coming from ethnic minorities that disregard nation-state boundaries, bring about added costs to orderly management of cross-border trade activities and human interactions. Then Myanmar (still called Burma) ran afoul in its diplomatic ties with its traditional markets. For Myanmar, opening the border wider to China became a necessity, driven by desperation. And for China, closing the border would not be conducive to lifting the locals out of poverty.

The one area China has failed, strategically speaking, is to have more orderly cross-border business interactions. As is true of similar situations in many other parts of the world, lawlessness can become the rule of the game on the ground. When Chinese traders and businessmen display their wealth by opening gambling parlors across the border, they lose the goodwill needed on the part of the local Myanmarese population for protecting their lives and property. Bodyguards further thicken the atmosphere of distrust. What follows is a vicious cycle of people-to-people tension on the ground.

Investment in large development projects such as roads and hydropower dams in Myanmar is a normal path to growth, according to Chinese experience. In the 1970s and 1980s, China welcomed large investments from governments like Japan and international development banks like the World Bank and Asian Development Bank. It sought American corporate involvement in the Three Gorges dam project. Only huge campaigns from environmental protection and human rights groups stopped the Export-and-Import Bank of the United States from providing financing support.

But times have changed for China and it is now its turn to be the overseas infrastructure investor. Worldwide, pursuit of development has changed from accepting growth as the key rationale to a greater focus on rights, human and environmental. International anti-dam movements have

persisted and view the ethnic minorities in Myanmar with an added level of sympathy. Coupled with reduction of support from local societies, Chinese dam operations run into formidable opposition. China's state-owned companies see their action as implementing government-to-government agreements and little else. They badly need investment risk management 101 lessons.

Meanwhile, Myanmar needs a vibrant economy to support changes in its domestic political arrangements. Improvement in road, power, and other basic infrastructure is essential. Reference to "will of the people" in announcing cancellation of controversial projects such as the Myistone dam (funded by China) and the Dawei power and industrial projects (funded by Thai interests) is smart domestic politics. Yet the Myanmar government still has to find a way out of the twin challenge of fast provision of better infrastructure and not-in-my-backyard societal opposition. To achieve the former, foreign capital and operators cannot be avoided.

An end to Western sanctions on Myanmar offers an opportunity for streamlining the country's laws and investment rules. In this connection, Japan's prodding of Myanmar to enter into a bilateral investment treaty is a step in the right direction. When the investment climate in Myanmar becomes more internationalized, improved rules of competition can help weed out Chinese business practices that anger local populations. That will be a win-win situation for all.

Myanmar is a house of its own. It is finding pride in being a normal party with which all major governments can interact. There is a lot of work ahead, for all interested parties, to assist in restoring the normalcy and vibrancy all people of that proud country want and deserve.

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